

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7185

Petition of Green Mountain Power Corporation)
for Approval of a Senior Unsecured Revolving)
Credit Facility of up to \$30,000,000)

Order entered: 6/7/2006

I. INTRODUCTION

On May 1, 2006, Green Mountain Power Corporation ("Green Mountain Power" or the "Company") filed a petition (the "Petition") with the Vermont Public Service Board (the "Board") for approval, pursuant to 30 V.S.A. § 108(a), to enter into a five-year \$30,000,000 senior unsecured revolving credit facility (the "Credit Facility") with a syndicate of financial institutions, including Sovereign Bank and Key Bank. The Petition was supported by the testimony of Dawn Bugbee, the Company's Chief Financial Officer, and by accompanying exhibits.

II. BACKGROUND

On June 6, 2006, the Department of Public Service ("Department") informed the Board by letter that it recommended approval of the Petition without hearing and that the Credit Facility would not be inconsistent with the Vermont Twenty-Year Electric Plan (the "Plan") pursuant to 30 V.S.A. § 202(f).

The Company and the Department have waived their rights under 3 V.S.A. § 811 to review a Proposal for Decision, to file exceptions, to present briefs and oral argument regarding the Petition, and to appeal the order, provided that the Board's order is substantially the same as the draft Proposed Order that the Company submitted on June 6, 2006.

III. FINDINGS

1. The Company is a company as defined by 30 V.S.A. § 201, and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. *See* Petition at 1.
2. The Company's current 364-day revolving \$30 million credit facility with Bank of America and Sovereign Bank expires June 14, 2006. The Company seeks to replace the current arrangements by entering into the Credit Facility with Sovereign Bank and Key Bank. Funds would be made available to the Company from time to time at its request under the Credit

Facility by a syndicate of financial institutions, including Sovereign Bank and Key Bank. *See* Prefiled Testimony of Dawn Bugbee ("Bugbee pf.") at 2.

3. The interest rate of the Credit Facility would, at the Company's option, be equal to a base rate of prime or the London Inter-Bank Offer Rate ("LIBOR") plus a margin of 35-150 basis points and a facility fee of 7.5-37.5 basis points, both depending on the Company's credit rating at the time the funds were made available. *See* Bugbee pf. at 2; Petition at 1.

4. The Credit Facility includes an option to increase the amount available to \$45,000,000 under certain conditions. *See* Petition at 1.

5. The Company has requested that the Board authorize it to exercise this option over the course of the 5-year term, in the event that the Company's management believes it is necessary to protect the Company's financial stability. In the event that the Company did exercise the option, Green Mountain Power would file a notice to the Board with an explanation indicating the reasoning for expanding the facility. *See* Bugbee pf. at 2-3;

6. The Credit Facility provides most of the Company's liquidity. The extension from a 364-day facility to a five-year facility will provide the Company with a greater certainty of continued liquidity. It will also reduce facility fees, because the Company will not have to pay recurring "up-front" fees until the five-year term has expired. The Credit Facility also provides more competitive borrowing rates than the Company's prior facility. *See* Bugbee pf. at 2.

7. The Company expects the closing on the Credit Facility to occur in June, 2006. Any funds drawn under the Credit Facility will be used to refinance existing debt for working capital and for other corporate purposes. *See* Petition at 2.

8. The Company's corporate (unsecured) credit rating is BBB for Standard & Poor's ("S&P"), and its secured debt rating from S&P is also BBB. Moody's rates the Company's secured debt one level higher than the S&P secured debt rating, and the corporate rating for Green Mountain Power is Baa2. *See* Bugbee pf. at 4-5.

9. The Company's BBB rating from S&P is about average for energy companies. Approximately 30 percent of companies are rated A- or above, while about 54 percent are rated BBB- to BBB+, with the remainder (16%) rated as speculative or below investment grade. The trend has been toward ratings reductions over the past few years, with many former A rated companies being downgraded to BBB. *See* Bugbee pf. at 5.

10. The increased proportion of debt in the Company's capital structure is not inconsistent with the Company's target capital structure, which is approximately 53% equity, and 47% percent debt. Practically speaking, the amount of leverage in the Company's capital structure will fluctuate by 3-5 percentage points around the target capital structure amount. *See Bugbee pf. at 5.*

11. The Company meets annually with its rating agencies, and has consistently communicated its plans regarding the 2006 long-term debt financing, other significant financial assumptions, and the forecasted impacts of the leverage and rate increases. The rating agencies have not expressed concerns that the forecasted results would reduce the Company's credit rating. *See Bugbee pf. at 5.*

12. The proposed transactions will have no adverse impact on the Company's liquidity. Green Mountain Power expects to maintain healthy liquidity levels, with available borrowings more than sufficient to satisfy the Company's needs, at all times before, during and after the completion of the proposed transactions. The completion of the proposed transactions will bring the Company's equity and debt capitalization levels in line with Company targets and reduce the Company's weighted average cost of capital without increasing debt to levels that would adversely affect the Company's investment ratings. *See Bugbee pf. at 5.*

13. The Credit Facility is consistent with the Vermont Twenty-Year Electric Plan. The Department recommends, however, that in the event Green Mountain Power decides to trigger the expansion of the borrowing under the letter of credit beyond \$30 million, that the Company also request a determination of consistency pursuant to 30 V.S.A. § 202(f). *See Petition at 2; June 5, 2006, letter of the Department.*

14. The Credit Facility is consistent with the general good of the State under 30 V.S.A. § 108. *See Petition at 2; Bugbee pf. at 6; June 5, 2006, letter of the Department.*

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to Green Mountain Power Corporation to enter into and consummate its transactions under the Credit Facility and to exercise its option to increase the amount available under the Credit Facility from \$30,000,000 to \$45,000,000.

2. In the event that Green Mountain Power Corporation exercises its option to increase the amount available under the Credit Facility to more than \$30,000,000, it shall file an explanation the Public Service Board and the Department of Public Service indicating the reason for the expansion. Additionally, should Green Mountain Power Corporation seek to increase the amount of the Credit Facility, it shall also seek a determination from the Department of Public Service under 30 V.S.A. § 202(f).

3. This Order does not constitute approval of Green Mountain Power Corporation's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the issuance of the short-term debt contemplated in the Petition in this docket. Nothing in this approval shall preclude the Department of Public Service or any other party, or the Public Service Board, from reviewing or challenging such expenditures or Green Mountain Power Corporation's resulting capital structure and/or its common stock dividend in any future proceeding.

Dated at Montpelier, Vermont, this 7th day of June, 2006.

s/James Volz)

PUBLIC SERVICE

s/David C. Coen)

BOARD

s/John D. Burke)

OF VERMONT

OFFICE OF THE CLERK

FILED: June 7, 2006

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.